



**[BILLING CODE: 4810-033-P]**

**DEPARTMENT OF THE TREASURY**

**Office of the Comptroller of the Currency**

**Agency Information Collection Activities:**

**Proposed Information Collection; Submission for OMB Review**

**AGENCY:** Office of the Comptroller of the Currency, Treasury.

**ACTION:** Notice and request for comment.

**SUMMARY:** The Office of the Comptroller of the Currency (OCC), as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on a continuing information collection, as required by the Paperwork Reduction Act of 1995.

An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid OMB control number. The OCC is soliciting comment concerning its information collection titled, “Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act.”

The OCC is also announcing that the proposed collection of information has been submitted to the Office of Management and Budget (OMB) for review and clearance under the Paperwork Reduction Act of 1995.

**DATES:** Comments must be received by [Insert date 30 days after date of publication in the FEDERAL REGISTER.]

**ADDRESSES:** Communications Division, Office of the Comptroller of the Currency, Mailstop 2-

3, Attention: 1557-0237, 250 E Street, SW., Washington, DC 20219. In addition, comments may be sent by fax to (202) 874-5274 or by electronic mail to [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov). You may personally inspect and photocopy comments at the OCC, 250 E Street, SW., Washington, DC 20219. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 874-4700. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

Additionally, please send a copy of your comments by mail to: OCC Desk Officer, 1557-0237, U.S. Office of Management and Budget, 725 17th Street, NW., #10235, Washington, DC 20503, or by fax to (202) 395-6974.

**FOR FURTHER INFORMATION CONTACT:** You can request additional information or a copy of the collection from Johnny Vilela or Mary H. Gottlieb, OCC Clearance Officers, (202) 874-5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

**SUPPLEMENTARY INFORMATION:**

In compliance with 44 U.S.C. 3507, OCC has submitted the following proposed collection of information to OMB for review and clearance.

**Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act**

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>1</sup> (Dodd-Frank Act) requires certain financial companies, including national banks and Federal savings associations, to conduct annual stress tests<sup>2</sup> and requires the primary financial regulatory agency<sup>3</sup> of those financial companies to issue regulations implementing the stress test requirements.<sup>4</sup> A national bank or Federal savings association is a “covered institution” and therefore subject to the stress test requirements if its total consolidated assets are more than \$10 billion. Under section 165(i)(2), a covered institution is required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.<sup>5</sup> On October 9, 2012, the OCC published in the Federal Register a final rule implementing the section 165(i)(2) annual stress test requirement.<sup>6</sup> This notice describes the reports and information required to meet the reporting requirements under section 165(i)(2). These information collections will be given confidential treatment (5 U.S.C. 552(b)(4)).

The OCC intends to use the data collected through these templates proposal to assess the reasonableness of the stress test results of covered institutions and to provide forward-looking information to the OCC regarding a covered institution’s capital adequacy. The OCC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered institution. The stress test results are expected to support ongoing improvement in a covered institution’s

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<sup>1</sup> Pub. L. 111-203, 124 Stat. 1376, July 2010.

<sup>2</sup> 12 U.S.C. 5365(i)(2)(A).

<sup>3</sup> 2 U.S.C. 5301(12).

<sup>4</sup> 12 U.S.C. 5365(i)(2)(C).

<sup>5</sup> 12 U.S.C. 5365(i)(2)(B).

<sup>6</sup> 77 FR 61238, October 9, 2012 – Prior to issuance of the final rule, the OCC published on January 24, 2012, a notice of proposed rulemaking (NPR) implementing the section 165(i)(2) annual stress test requirement (77 FR 3408).

stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

The Dodd-Frank Act stress testing requirements apply to all covered institutions, but the OCC recognizes that many covered institutions with consolidated total assets of \$50 billion or more have been subject to stress testing requirements under the Board's Comprehensive Capital Analysis and Review (CCAR). The OCC also recognizes that these institutions' stress tests will be applied to more complex portfolios and therefore warrant a broader set of reports to adequately capture the results of the company-run stress tests. These reports will necessarily require more detail than would be appropriate for smaller, less complex institutions. Therefore, the OCC has decided to specify separate reporting templates for covered institutions with total consolidated assets between \$10 and \$50 billion and for covered institutions with total consolidated assets of \$50 billion or more. In cases where a covered institution with assets less than \$50 billion is affiliated with a banking organization with assets of \$50 billion or more, the OCC reserves the authority to require that covered institution to use the reporting template for larger institutions with total consolidated assets of \$50 billion or more. The OCC may also, on a case-by-case basis, require a covered institution with assets of \$50 billion or more to report stress test results using a simpler format to be specified by the OCC. The reporting templates for institutions with assets of \$50 billion or more are described below.

The OCC has worked closely with the Board and the Federal Deposit Insurance Corporation (FDIC) to make the agencies' respective rules implementing annual stress testing under the Dodd-Frank Act consistent and comparable by requiring similar standards for scope of application, scenarios, data collection and reporting forms. The OCC has worked to minimize any potential duplication of effort related to the annual stress test requirements. The OCC also

recognizes that many covered institutions with total consolidated assets of \$50 billion or more are required to submit reports using CCAR reporting form FR Y-14A.<sup>7</sup> Therefore, the OCC based its reporting requirements closely on the Board's form FR Y-14A for covered institutions with total consolidated assets of \$50 billion or more. The OCC recognizes the Board modified the FR Y-14A and, to the extent practical, the OCC anticipates keeping its reporting requirements consistent with the Board's FR Y-14A in order to minimize burden on covered institutions.<sup>8</sup> In order to fully evaluate the stress test results submissions, the OCC may conduct follow up discussions with or request responses to follow up questions from respondents, as needed.

### **Description of Reporting Templates for Institutions with \$50 Billion or More in Assets**

The OCC DFAST-14A Summary Schedule includes data collection worksheets necessary for the OCC to assess the company-run stress test results for baseline, adverse and severely adverse scenarios as well as any other scenario specified in accordance with regulations specified by the OCC. The DFAST-14A Summary Schedule includes worksheets that collect information on the following areas:

1. Income Statement;
2. Balance Sheet;
3. Capital Statement;
4. Retail Risk;
5. Securities: Available-for-Sale/Held to Maturity (AFS/HTM);
6. Trading;
7. Counterparty Credit Risk (CCR);

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<sup>7</sup> <http://www.federalreserve.gov/reportforms>.

<sup>8</sup> 77 FR 60695, October 4, 2012.

8. Operational Risk; and
9. Pre-Provision Net Revenue (PPNR).

Each covered institution reporting to the OCC using this form will be required to submit to the OCC a separate DFAST-14A Summary Schedule for each scenario provided to covered institutions in accordance with regulations implementing Section 165(i)(2) as specified by the OCC.

### **Worksheets: Income Statement**

This income statement worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected losses and revenues in the following categories.

1. Loan losses;
2. Losses due to contingent commitments and liabilities;
3. Other Than Temporary Impairments (OTTI) on assets held to maturity and available for sale;
4. Trading account losses;
5. Allowance for loan and lease losses;
6. Pre-provision net revenue; and
7. Repurchase reserve/liability for representations and warranties.

This schedule provides information used to assess losses that covered institutions can sustain in adverse and severely adverse stress scenarios.

### **Worksheets: Balance Sheet**

The balance sheet worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected equity capital, as well as on assets and liabilities in the following categories.

1. HTM Securities;
2. AFS Securities;
3. Loans;
4. Trading Assets;
5. Intangibles;
6. Deposits; and
7. Trading Liabilities.

The OCC intends to use this worksheet to assess the projected changes in assets and liabilities that a covered institution can sustain in an adverse and severely adverse stress scenario. This worksheet will also be used to assess the revenue and loss projections identified in the income statement worksheet.

### **Worksheets: Capital**

The capital worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on the following areas.

1. Changes to Equity Capital;
2. Changes to Regulatory Capital; and
3. Capital Actions.

The OCC intends to use this worksheet to assess the impact on capital of the projected losses and projected changes in assets that the covered institution can sustain in a stressed scenario. In addition to reviewing the worksheet in the context of the balance sheet and income statement

projections, the OCC also intends to use this worksheet to assess the adequacy of the capital plans and capital planning processes for each covered institution.

### **Worksheets: Retail Projections**

The retail projections worksheets collect data for each quarter of the planning horizon for the stress test on projected balances and losses for major retail portfolios: residential real estate, credit card, automobile, student loans, small business loans, and other consumer. For residential real estate, the worksheets collect data for first lien mortgages, home equity lines of credit, and home equity loans. For all major retail portfolios, the worksheets contain separate segments for domestic and international loans for various product types. Within each broad product-type segment, the reporting for the portfolio is divided into a number of sub-segments that embody unique risk characteristics. This modular product-type design of the retail worksheet allows for a targeted data collection that encompasses only the material portfolios in a given product area for a particular covered institution. A covered institution would be required to complete only the segments and sub-segments material for that institution. This design is intended to limit burden while maximizing the supervisory information produced from the collection.

### **Worksheets: Securities**

Several securities worksheets collect data related to AFS and HTM securities. The worksheets collect data and information such as: projected OTTI by asset class for each quarter of the forecast time horizon; methodologies and assumptions used to generate the OTTI projections for each asset class; projected stressed fair market value (FMV) for each asset class as well as qualitative information on the methodologies and assumptions used to generate the stressed market value; and actual FMV including the source (vendor or proprietary) and key assumptions used in determining market values (if using a proprietary model).



### **Worksheets: Trading and Counterparty Risk**

The trading and counterparty risk worksheets collect projected losses associated with a specified global market risk scenario for covered institutions with large trading operations. The OCC provides a set of risk factors relevant to the trading and counterparty positions so that respondent covered institutions project trading and counterparty components in the adverse and severely adverse scenarios.

Completion of the trading and counterparty risk worksheets would be required only for those institutions subject to the market shock provided by the OCC.

### **Worksheets: Operational Risk**

The operational risk worksheets collect data on covered institutions' projections of operational losses for each quarter of the planning horizon for the stress test. Operational losses are defined as losses arising from inadequate or failed internal processes, people, and systems or from external events including legal losses. Some examples of operational loss events are losses related to improper business practices (including class action lawsuits), execution errors, and fraud. Additional detail may be requested in order for the OCC to evaluate the transformation of the covered institutions' historical loss experience into operational loss projections. Additional detail also may be requested on any budgeting processes used to project operational losses.

Completion of the operational risk worksheets would be required only for those institutions subject to advanced approaches risk-based capital rules.

### **Worksheets: PPNR**

For the PPNR worksheets, covered institutions must provide projections for the three major components of PPNR (net interest income, non-interest income, and non-interest expense) for each quarter of the planning horizon. Collection of these data in this format is based on the

assumption that the revenues generated by different business lines are affected differently by different stress scenarios, and such a view facilitates a more robust analysis of the resulting projections.

### **Description of OCC DFAST-14A Counterparty Credit Risk Template**

The CCR template collects, on various worksheets, data to identify credit valuation adjustment (CVA), exposures, and CVA sensitivities for the covered institution's top counterparties along a number of dimensions, including current CVA, stressed CVA, net current exposure, and gross current exposure. Covered institutions also must submit aggregate CVA, exposures, and CVA sensitivities by ratings categories. The *Notes to the CCR Schedule* worksheet allows covered institutions to voluntarily submit additional information to provide clarity to the portfolio. Covered institutions are required to report results for one scenario and two specifications to capture Expected Exposure profiles.

Completion of the CCR template would be required only for those institutions subject to the market shock provided by the OCC.

### **Description of OCC DFAST-14A Basel III and Dodd-Frank Template**

The Basel III and Dodd-Frank template collects projections of Tier 1 Common Equity, Tier 1 Capital, Risk-Weighted Assets (RWA), and Leverage Exposures (along with granular components of those elements) under the baseline scenario for each year through 2017. Banks are required to complete the schedule based on the methodologies outlined in the U.S. banking agencies NPRs: Basel III NPR, Advanced Approaches NPR, and final market risk capital rule (see OCC Joint Release NR 2012-88 dated June 12, 2012). Covered institutions also are required to include data on the projected impact of any significant actions planned in response to Basel III and the Dodd-Frank Act (for example, asset sales, asset wind-downs, and data

collection and modeling enhancements). The OCC expects to align this template and its instructions with the rules implementing the Basel III framework in the U.S. when those rules are final.

#### **Description of OCC DFAST-14A Regulatory Capital Instruments Template**

The regulatory capital instruments schedule collects historical data and projections of covered institutions' balances of the funded instruments that are included in regulatory capital. The schedule collects data by instrument type, in addition to projections for issuances and redemptions that contribute to changes in balances under the covered institution baseline scenario.

#### **Description of OCC DFAST-14A Operational Risk Template**

The operational risk schedule collects data on covered institutions' historical and current operational losses. This schedule is only required from covered institutions subject to the advanced approaches risk-based capital rules. The first worksheet gathers data on covered institutions' operational risk capital by unit-of-measure (undiversified basis) from Q4 of the previous year to Q3 of the reporting year. The second worksheet gather data on the total dollar value of a covered institutions' legal reserve balance as of September 30.

#### **Description of OCC DFAST-14A Scenario Template**

To conduct the stress test required under this rule, a covered institution may need to project additional economic and financial variables to estimate losses or revenues for some or all of its portfolios. In such a case, the covered institution is required to complete a worksheet for each scenario where such additional variables are used to conduct the stress test. Each scenario worksheet collects the variable name (matching that reported on the Scenario Variable

Definitions worksheet), the actual value of the variable during the Q3 of the reporting year, and the projected value of the variable for nine future quarters.

### **Description of OCC DFAST-14A Contact Information Template**

The contact information template includes a directory worksheet for reporting points of contact for each of the templates described above: summary, counterparty credit risk, Basel III and Dodd-Frank, operational risk, regulatory capital instruments, and scenario.

### **Description of Supporting Documentation**

Covered institutions must submit clear documentation of the projections included in the worksheets to support efficient and timely review of annual stress test results by the OCC. The supporting documentation should be submitted electronically and is not expected to be reported in the workbooks used for required data reporting. This supporting documentation must clearly describe the methodology used to produce the stress test projections, and must include how the macroeconomic factors were translated into a covered institution's projections, as well as technical details of any underlying statistical methods used. Where company-specific assumptions are made that differ from the broad macroeconomic assumptions incorporated in stress scenarios provided by the OCC, the documentation must also describe such assumptions and how those assumptions relate to reported projections. Where historical relationships are relied upon, the covered institutions must describe the historical data and provide the basis for the expectation that these relationships would be maintained in each scenario, particularly under adverse and severely adverse conditions.

### **Comment Summary**

In the Federal Register of August 16, 2012 (77 FR 49488), OCC published a 60-day notice requesting public comment on the templates and the collection of information. OCC

received three comments on the notice. Two of the comments received were from banking organizations and one was from an industry group.

The commenters generally expressed support for stress testing and for the OCC's efforts to ensure appropriate risk management processes. In addition, two commenters acknowledged the OCC's efforts to coordinate with the other agencies and avoid duplication of efforts. However, the commenters also advocated that several changes be made to the templates. Two commenters urged the OCC to more closely align the data collection templates to those of the other agencies, with one commenter suggesting that the Board, FDIC, and OCC develop one common set of data templates to reduce cost and burden on banking organizations.

One commenter requested that the OCC provide more clarity about how the OCC will use the data collected and provide more detailed instructions, while a second requested that the OCC include a formal process for addressing questions seeking clarification of the reporting templates. Another commenter urged the OCC to permit banks which comprise nearly all material activities of the parent holding company to incorporate by reference into the bank's OCC stress test submission the results of the holding company's CCAR tests.

After carefully considering the comments received, the OCC aligned its reporting forms with those of the Federal Reserve to the extent practicable. For example, the Basel III Capital template will only collect results related to the baseline scenario on an annual basis rather than quarterly results under the adverse and severely adverse scenarios. However, some elements required by the Federal Reserve are only applicable at the bank holding company level and the Federal Reserve required some elements to fulfill its other obligations related to covered

companies' stress tests. The OCC will continue to consider the practicability of a single set of reporting forms or the use of cross-references.

The OCC does not believe it is appropriate for covered institutions to simply reference holding company stress test results, even where the covered institution or institutions comprise the bulk of holding company activities. This is consistent with the treatment under the OCC's final rule implementing section 165(i)(2), which requires such covered institutions to conduct annual stress tests.<sup>9</sup> The OCC notes that under that rule, a covered institution that is a subsidiary of a holding company subject to the Board's annual stress testing rule generally may use the stress testing systems and processes of the holding company where appropriate, which will reduce the burden associated with separate reporting.

Finally, the OCC believes that established OCC processes for responding to queries from supervised entities will be adequate to address any questions related to use of these reporting templates, and that no additional formal processes are necessary.

#### Burden Estimates

OCC estimates the burden of this collection of information as follows:

Estimated Number of Respondents: 22.

Estimated Total Annual Burden: 10,436 hours.

The OCC recognizes the Board has estimated 79,200 hours for bank holding companies to prepare their systems for submitting data for the FR Y-14.<sup>10</sup> The OCC believes that these systems will also be used to submit data for the reporting templates described in this notice.

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<sup>9</sup> 77 FR 61238 (October 9, 2012); see also 77 FR 3408 (January 24, 2012) (Notice of proposed rulemaking).

<sup>10</sup> 77 FR 60695 (October 4, 2012).

Comments continue to be invited on:

- (a) Whether the collection of information is necessary for the proper performance of the functions of the OCC, including whether the information has practical utility;
- (b) The accuracy of the OCC's estimate of the burden of the collection of information;
- (c) Ways to enhance the quality, utility, and clarity of the information to be collected;
- (d) Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- (e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: November 2, 2012

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Michele Meyer,  
Assistant Director, Legislative and Regulatory Activities Division.

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